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No. 73-643

IN THE

Supreme Court of the United States

OCTOBER TERM 1973

Supreme Court, U. S.
FILED
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MICHAEL RODAK, JR., CLERK

BOURNS, INC. and MARLAN E. BOURNS,

Petitioners,

v.

ALLEN-BRADLEY COMPANY, BECKMAN INSTRUMENTS, INC., THE BUNKER-RAMO CORPORATION, FAIRCHILD CAMERA & INSTRUMENT CORP., TRW INC. and WESTON INSTRUMENTS, INC., on behalf of themselves and as representatives of others similarly situated,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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ALLEN-BRADLEY COMPANY, BECKMAN INSTRUMENTS, INC., THE BUNKER-RAMO CORPORATION, FAIRCHILD CAMERA & INSTRUMENT CORP., TRW INC. and WESTON INSTRUMENTS, INC., on behalf of themselves and as representatives of others similarly situated,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Petitioners, Bourns, Inc. and Marlan E. Bourns, pray that a Writ of Certiorari be granted to review the portion of the judgment of the United States Court of Appeals for the Seventh Circuit entered in the above entitled cause on June 14, 1973, affirming a part of the decision of the District Court.

CITATIONS TO OPINIONS BELOW

The District Court's opinion is reported at 348 F. Supp. 554 (N.D. Ill. 1972) and is printed at A-1.[1]

The opinion of the Court of Appeals dated June 14, 1973, is reported at 480 F.2d 123 and is printed at A-8. The decree of the Court of Appeals entered on June 14, 1973, appears at A-24. The order of the Court of Appeals denying a rehearing appears at A-25.

JURISDICTION

The Judgment of the United States Court of Appeals for the Seventh Circuit affirming a portion of a judgment of the United States District Court for the Northern District of Illinois, Eastern Division, was entered June 14, 1973. The Court of Appeals denied a timely petition for rehearing on July 17, 1973. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTION PRESENTED

When this Court announces a change in the law, but does not discuss or decide the matter of retroactivity or prospectivity, is its silence to be construed as a mandate for retrospective application of the change?

STATEMENT OF THE CASE

Petitioners Bourns, Inc. and its president Marlan E. Bourns filed this class action for patent infringement on August 11, 1970. Jurisdiction of the District Court was founded on 28 U.S.C. § 1338(a). Bourns, Inc. is a California corporation and is the exclusive licensee of Marlan Bourns' United States Patent No. 2,777,926.

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[1] The abbreviation "A" is used herein to designate the Appendix bound with this Petition.

Respondents are six large corporations named in the complaint as defendants in their own behalf, and as representatives of a class consisting of all others who have infringed the '926 patent. In their answers respondents denied infringement and raised the traditional defense of invalidity.

Prior to the filing of this suit in the Northern District of Illinois, petitioners had brought suit on the same patent in Nebraska against Dale Electronics, Inc. In its judgment, entered in January, 1970, the Nebraska Court held claims 1, 2, 11, 14, 15, 16 and 20 of the '926 patent invalid for obviousness under 35 U.S.C. 103.[2] Petitioners filed a notice of appeal from that judgment, but after a change of counsel decided to dismiss the appeal and bring the present class action in the Seventh Circuit. This decision was based upon the then-prevailing rule of *Triplett* v. *Lowell*, 297 U.S. 638 (1936), that a patentee is not estopped to relitigate patent claims once held invalid against a different defendant.

Shortly after the filing of the present suit, however, this Court on October 19, 1970 granted certiorari in *Blonder-Tongue Labs., Inc.* v. *University of Illinois Found.*, 400 U.S. 864, and decided, *sua sponte*, to consider whether the rule of *Triplett* v. *Lowell* should be adhered to. In other words, the very rule upon which petitioners had relied, in abandoning their appeal in the *Dale* case and in filing this suit, was to be re-examined.

On May 3, 1971 this Court handed down its decision in *Blonder-Tongue Labs., Inc.* v. *University of Illinois Found.*, 402 U.S. 313 (1971), holding that *Triplett* "should be overruled to the extent it forecloses a plea of estoppel by one facing a charge of infringement of a patent that has once been declared invalid." 402 U.S. at 350.

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[2] *Bourns, Inc.* v. *Dale Elec., Inc.*, 308 F. Supp. 501 (D. Neb. 1969).

At that point five of the six respondents amended their answers to plead collateral estoppel as a defense, and all joined in a motion for summary judgment on the ground that petitioners were collaterally estopped by the judgment in *Bourns* v. *Dale*, supra, from asserting the '926 patent.

On February 7, 1972, the District Court granted the motion and entered judgment for respondents. The effect of that decision was to estop petitioners as to all claims, not just those enumerated in the *Dale* judgment. As to petitioners position that they had been denied the *Blonder-Tongue* requisite of a "full and fair opportunity to litigate" through their reliance on the prevailing rule of *Triplett*, the District Court held there were "rumblings" of a change (A-2). As to the position that the retrospective application of *Blonder-Tongue* would be unjust, the District Court held that "justice in this matter is pre-empted by the *Blonder-Tongue* decision itself," (A-6) and petitioners' reliance on pre-*Blonder-Tongue* decisions when abandoning their appeal "is contrary to the holding of that controlling decision which abrogated the prior law." (A-5) Petitioners appealed.

On June 14, 1973 the Court of Appeals for the Seventh Circuit reversed in part and affirmed in part. With respect to the claims not asserted in the *Dale* case and not mentioned in the judgment entered in that case, the Court reversed and held there was no estoppel, in view of the classical rule that (A-10):

> [A prior judgment] operates as a collateral estoppel as to, but only as to, those matters or points which were in issue or controverted and upon the determination of which the initial judgment necessarily depended. 1 B Moore's Federal Practice 3777 (2d ed. 1965).

The Court of Appeals affirmed with respect to the claims specifically held invalid in the *Dale* suit, with Judge Pell dissenting. The majority adopted the view of the District

Court that "the Supreme Court in *Blonder-Tongue* implicitly rejected reliance on its prior decision in *Triplett* v. *Lowell, supra,* as an adequate basis for avoiding the general rule fashioned in the later decision." (A-11) As Mr. Justice Clark (sitting by designation) explained for the majority, "in overruling *Triplett,* the *Bonder-Tongue* Court did not see fit to rule prospectively, though it has so limited recent rulings in other contexts where retrospective application would work hardship and inequity." (A-12) In other words, the Court of Appeals concluded that because this Court did not specify that *Blonder-Tongue* was to be applied prospectively, it must have meant that the overruling of *Triplett* was a matter for retrospective application in all cases.

Judge Pell took sharp issue with this conclusion. As he pointed out (A-18):

> • • • When new law is established or, more importantly, when existing law is changed, it always is retrospective as to the particular litigant who is unsuccessful. This is inherent, for courts do not customarily give advisory opinions. This is a far cry though from inferring that the decision is retrospective as to other litigants who were relying on the pre-existing law.

The question presented here is thus clearly focused by the majority and dissenting opinions: Is the failure of this Court to rule prospectively to be understood, conversely, as a direction for retrospective application?

REASONS FOR GRANTING THE WRIT

Retroactivity has become, in the context of the work of the Supreme Court, one of the central problems of Federal procedure. In *Linkletter* v. *Walker,* 381 U. S. 618, 620 (1965), this Court "granted certiorari in order to settle what has become a most troublesome question in the administration of

justice." In the decade since *Linkletter*, the Court has decided the issue of retroactivity in more than thirty cases. Although the bulk of the litigation has been in the criminal field, the Court has not neglected the civil area. The result has been the formulation of a set of guidelines which were restated most recently in *Chevron Oil Co.* v. *Huson*, 404 U.S. 97, 106-07 (1971):

> In our cases dealing with the nonretroactivity question, we have generally considered three separate factors. First, the decision to be applied nonretroactively must establish a new principle of law, either by overruling clear past precedent on which litigants may have relied, see, e.g., *Hanover Shoe* v. *United Shoe Machinery Corp., supra*, at 496, or by deciding an issue of first impression whose resolution was not clearly foreshadowed, see, e.g., *Allen* v. *State Board of Elections, supra, at* 572. Second, it has been stressed that "we must . . . weigh the merits and demerits in each case by looking to the prior history of the rule in question, its purpose and effect, and whether retrospective operation will further or retard its operation." *Linkletter* v. *Walker, supra*, at 629. Finally, we have weighed the inequity imposed by retroactive application, for "[w]here a decision of this Court could produce substantial inequitable results if applied retroactively, there is ample basis in our cases for avoiding the 'injustice or hardship' by a holding of nonretroactivity." *Cipriano* v. *City of Houma*, supra, at 706.

Last term, this Court found that the *Chevron* factors dictated a holding of nonretroactivity in a noncriminal, constitutional case. *Lemon* v. *Kurtzman*, 411 U.S. 192 (1973).

It might have been hoped that, under *Chevron*, the lower courts could in most instances finally determine questions of retroactivity, with this Court finding it necessary to act only in cases of extreme intrinsic significance. But that

hope, in view of the instant majority opinion, is clearly misplaced. For the majority has chosen to regard this Court's silence as a mandate for retroactivity.

Thus there is presented here an important federal question which should be settled by this Court. The importance of the matter is largely due to the frequency with which it will arise. If silence is to be equated with retroactivity, then the parties (and amici) to a large proportion of the cases coming before this Court—those in which the Court may overrule a clear past precedent or decide an issue of first impression—will surely be ill-advised if they fail to brief and argue and urge resolution of the issue of retroactivity. To the extent it may be thought that the approach of the majority below represents a single isolated instance, it should be pointed out that at least the Ninth Circuit seems to have embraced identical reasoning. See *Reed* v. *United States,* 432 F.2d 205 (9th Cir. 1970). And it is not unreasonable to expect to find other courts following this approach, particularly in view of the frequency with which the issue of retroactivity must be considered.

The approach of the majority below is also in clear conflict with applicable decisions of this Court. If silence is to be equated with retroactivity, one might well ask why this Court took the trouble to formulate the *Chevron* guidelines. Why, indeed, did this Court find it necessary to decide *Lemon* v. *Kurtzman* last term? In *Lemon I* (403 U.S. 602) this Court was silent on the retrospective effect of its decision. Under the view of the instant majority, then, the Three-Judge District Court on remand should not have permitted state reimbursement to schools for services rendered prior to *Lemon I.* But it did, and this Court *affirmed* in *Lemon II.*

It is no answer to say, as did the majority below, that this Court has occasionally seen fit to rule prospectively, as in *Phoenix* v. *Kolodziejski*, 399 U.S. 204 (1970); *Cipriano* v. *City of Houma*, 395 U.S. 701 (1969); and *Allen* v. *State Board of Elections*, 393 U.S. 544 (1969). Those cases are unique in that the significant hardships which would have flown from retrospective application of the new ruling were obvious, and this Court required no airing, by a lower court, of the *Chevron* factors.

It would seem that the answer to the question presented here is implicit in numerous decisions of this Court, including *Lemon* and *Chevron*. But because the Court has in a few cases seen fit to rule prospectively in the first instance, at least some confusion exists as to the effect of its silence. The disagreement here between the majority and the dissent is an obvious manifestation of that confusion. Unless the Court clarifies the matter, the effect could be the undermining of the body of law developed in decisions such as *Linkletter*, *Chevron*, and *Lemon*.

The majority below simply presumed that this Court intended *Blonder-Tongue* to be applied retroactively in all cases. It neither mentioned *Chevron* nor pursued the analysis developed in that decision and its forerunners. Had it done so, it must necessarily have reached the conclusion of Judge Pell in dissent, whose opinion argues petitioners' position on the merits better than their counsel can. As he concluded (A-21):

> Applying the tests of *Chevron* to the present case: (a) a new principle of law was established by overruling clear past precedent on which litigants not only may but did in fact rely; (b) since litigants who have instituted lawsuits in reliance upon *Triplett* prior to

Blonder-Tongue must of necessity be relatively limited in numbers, retrospective application would scarcely seem to further the operation of the principle enunciated; and (c) there is an inherent inequitable result if the principle is applied retroactively with injustice being avoided by a holding of nonretroactivity.

Petitioners respectfully pray that the Court take this opportunity to make it clear that silence is not to be equated with a holding of retroactivity.

Respectfully submitted,

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BOURNS, INC., and MARLAN E. BOURNS, Plaintiffs, vs. ALLEN-BRADLEY COMPANY, BECKMAN INSTRUMENTS, INC., THE BUNKER-RAMO CORPORATION, FAIRCHILD CAMERA & INSTRUMENT CORP., TRW INC., and WESTON INSTRUMENTS, INC., on behalf of themselves and as representatives of others similarly situated, Defendants.	No. 70 C 1992

DECISION AND ORDER

This cause comes on to be heard on motion of the defendants for summary judgment on the ground of collateral estoppel under *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.S. 313, 91 S. Ct. 1434 (May 3, 1971). The court concludes that the defendants' Motion should be granted, with the result that a final judgment will be entered in their favor. The earlier motions filed by the defendants are thereby rendered obsolete.

The Complaint in the case at bar was filed on August 11, 1970 by the owner and assignee of United States Patent No. 2,777,926 issued on January 19, 1957. Plaintiffs allege that six corporate defendants, as representatives of a class, had been infringing their patent for six years and would continue to do so unless enjoined. Defendants answered separately and alleged that the patent was invalid for obviousness and for other reasons. They also alleged that plaintiffs were

estopped and barred from the instant action by virtue of a final judgment entered against them by the United States District Court for Nebraska in *Bourns, Inc. and Marlan E. Bourns* v. *Dale Electronics Inc.*, 308 F.Supp. 501 (D. Neb. 1969).

After the decision in *Blonder-Tongue, supra,* defendants filed amended answers in which they alleged further that plaintiffs had acquiesced in the Nebraska judgment by voluntarily dismissing their appeal to the United States Court of Appeals for the Eighth Circuit on May 4, 1970. Defendants thereupon filed the instant motions for summary judgment which in substance are motions for judgment on the pleadings under F.R.C.P. 12(c).

The only question on such a motion is whether a genuine issue of material fact remains to be decided and, if not, whether the moving parties are entitled to judgment as a matter of law. Since plaintiffs did not move to strike or to file a reply to defendants' affirmative defenses of estoppel and *res judicata,* the pleadings do not spell out plaintiffs' position with respect to these defenses. The court has considered the contentions made in plaintiffs' brief, however, in light of the defenses suggested by the Supreme Court's decision in its unanimous *Blonder-Tongue* decision.

Despite possible harshness on occasion, there can be no doubt that *Blonder-Tongue* applies retrospectively. *Monsanto Co.* v. *Dawson Chemical Co.*, 443 F.2d 1035 (5th Cir. 1971), *petition for cert. filed,* No. 71-787, 40 U.S.L.W. 3356 (Dec. 14, 1971). It is true that plaintiffs were not apprised of this particular decision when they abandoned their appeal to the Eighth Circuit, but there were rumblings of it (cf. 402 U.S. 313, 91 S.Ct. at p. 1453). The same unfortunate turn of events occurred in *Blonder-Tongue* when the University of Illinois Foundation unexpectedly became bound by an adverse decision of the Eighth Circuit in *University*

of Illinois Foundation v. *Winegard Co.*, 402 F.2d 125 (1968), *cert. den.* 394 U.S. 917 (1969). The Supreme Court could have softened the blow by ruling only prospectively in *Blonder-Tongue*, as it has done on several occasions. Cf. *England* v. *Louisiana State Bd. of Med. Exam.*, 375 U.S. 411, 84 S.Ct. 461 (1964). But the court no doubt felt that the public policy which it was enunciating in *Blonder-Tongue* was sufficient to justify an all-embracing decision.

Plaintiffs argue that the adverse decision by the federal court in Nebraska did not affect the entire patent but only certain of its claims. This argument is based primarily on that court's judgment order, entered after the decision reported at 308 F.Supp. 501, which reads in part: "Claims 1, 2, 11, 14, 15, 16 and 20 of United States Patent No. 2,777,926 are invalid." The court then dismissed the Amended Complaint "with prejudice" and sustained the Amended Counterclaim "to the extent indicated." The record in that case does not reveal whether the parties thereafter treated the patent as invalid, but the court's published opinion makes clear that it found the entire patent invalid. Among other things, the court's decision says with respect to Patent No. 2,777,926: ". . . the '926 patent is held to be invalid." 308 F.Supp. at 507.

The pleadings in the Nebraska suit demonstrate that both the plaintiffs and the defendant were litigating the validity of the patent, not merely part of it. The Amended Complaint alleged that the patent was "duly and regularly issued" to the plaintiffs and that the defendant had been infringing it for six years. Plaintiffs sought an injunction, damages and attorneys fees "pursuant to the patent laws of the United States." Defendant in its Amended Answer denied knowledge of whether the patent was duly and regularly issued and stated "Plaintiffs are left to their proofs." Defendant also pleaded affirmative defenses and

filed a counterclaim for declaratory judgment in which it alleged that the patent was invalid by reason of anticipation, obviousness, and other grounds going to the entire patent. Nowhere in the pleadings are specific claims or partial invalidity alleged.

In the case at bar the Complaint and Answers likewise go to the validity of the entire patent, and no mention is made of specific claims. Plaintiffs now contend that they are relying herein on Claims Nos. 3, 4, 6, 7, 12, 19, 21 and 22, as well as the ones itemized by the Nebraska judgment order. Plaintiffs' specification in the case at bar arises from their answers to interrogatories when the defendants inquired as to specific claims which their particular devices were allegedly infringing. Plaintiffs answered by listing most, if not all, of the 22 claims in their patent (Supplemental Answer filed July 20, 1971), but they have never amended their complaint to allege that they were relying on the validity of those claims not specified by the Nebraska court. We conclude that the Nebraska judgment order is explained by the same procedures as explains this particular defense raised by the plaintiffs: the court was referring to the claims alleged to be infringed by a defendant's product but had no intention of changing its decision of invalidity. *Blonder-Tongue* precludes us from relitigating this decision.

Even if *Blonder-Tongue* is potentially a bar to the entire complaint (as this court holds), plaintiffs seek to avail themselves of the exceptions left open to them by the Supreme Court's decision. Plaintiffs argue that the Nebraska court failed to grasp the issues of the controversy and in particular misapplied *Graham* v. *John Deere & Co.*, 383 U.S. 1 (1966). The Supreme Court cited this case as one example where a trial court might have completely failed to meet and decide the issues before it, therefore aborting estoppel. From an examination of the Nebraska court's decision,

however, it not only appears that the court cited and purported to follow *Graham* v. *John Deere & Co.* (which is all the Supreme Court suggested it do), but also that the trial court did grasp the issues and render a full and fair opinion on the merits. Any revision of that decision lay there or in the Court of Appeals, not here.

Plaintiffs next argue that they lacked the requisite incentive to litigate to a finish in the Nebraska suit. They blame this partly on the allegedly myopic view of patents taken by the Eighth Circuit Court of Appeals as compared with the enlightened view of the Seventh Circuit. This court need not enter that debate because the Supreme Court itself discounts the argument: choice of forum militates against the plaintiffs who made the choice, albeit without realization that they would be universally bound by the result. As to plaintiffs' alleged reliance on pre-*Blonder-Tongue* decisions when abandoning their appeal, that argument is contrary to the holding of that controlling decision which abrogated the prior law.

The subsequent proceedings in the *Blonder-Tongue* litigation are instructive, as reported in *University of Illinois Foundation* v. *Blonder-Tongue Laboratories, Inc.*, 334 F.Supp. 47 (N.D.Ill. 1971), (pending in the Seventh Circuit Court of Appeals, No. 71-1829, Dec. 6, 1971). Although Judge Hoffman in that case had initially upheld a patent which had been previously invalidated by an Iowa federal court, and although the Seventh Circuit had affirmed Judge Hoffman's decision, upon remand he applied the Supreme Court's decision and entered summary judgment for the defendant on the basis of the Iowa court's prior judgment of invalidity. In doing so he rejected the argument that the second case involved different claims than the first one, considered the exceptions left open by the Supreme Court, and found them unsatisfied, as this court does in the case at

bar. This result, incidentally, conformed to that reached by the Eighth Circuit Court of Appeals which had in the meantime affirmed the Iowa court.

Plaintiffs attach a number of affidavits to their brief to demonstrate a lack of crucial evidence and witnesses in the Nebraska litigation allegedly not due to the fault of the plaintiffs. What plaintiffs really argue is that the attorneys (and plaintiffs) in the Nebraska law suit did not uncover all of the existing evidence during the seven years that the suit was pending. Much of the information allegedly newly discovered from the defendants in this cause was a matter of public record or was otherwise known to plaintiffs, and most if not all of it was in existence and discoverable during the Nebraska litigation. If plaintiffs could demonstrate that the pending litigation was made possible by new facts or change of circumstances which did not exist at the time of the trial in 1969, their argument under this point might have merit. But as it is, the argument merely says that plaintiffs' attorneys in the present suit believe they could do better by a second effort. To litigate this issue here would be a step backward toward trial by combat and is not what the Supreme Court intended.

In the last analysis, the Supreme Court has told the federal judges to decide questions of collateral estoppel in patent cases on the basis of the trial court's sense of justice and equity (402 U.S. 313, 91 S.Ct. at p. 1445). The justice in this matter is pre-empted by the *Blonder-Tongue* decision itself, together with the exceptions mentioned therein and this court's determination that the decision is to be applied retrospectively. The equities in this matter militate heavily against the plaintiffs. They have had the benefit of their patent since 1957. They have filed several suits to enforce it, all of which were settled beneficially to the plaintiffs. They elected to file yet another suit in the Nebraska federal

court. They left that suit pending for seven years in a jurisdiction which had no backlog. They had ample time for nationwide discovery and taking deposition testimony. They went to trial and lost on the merits after a full and fair hearing. They abandoned their appeal shortly before filing the case at bar in which they hoped, by a class action, to recover damages far in excess of the million dollars or so sought in Nebraska. They had enjoyed the benefits of a patent for almost thirteen years before their come-uppance. In the opinion of this court they had not been treated unfairly by the law.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED that defendant's Motion for Summary Judgment is granted and judgment is entered on the Complaint in favor of the defendants.

Enter

THOMAS R. MCMILLEN
Judge, U.S. District Court

Feb. 7, 1972

IN THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

SEPTEMBER TERM, 1972 — APRIL SESSION, 1973

Nos. 72-1222 and 72-1223
BOURNS, INC. and MARLAN E. BOURNS,
Plaintiffs-Appellants and Cross-Appellees,

v.

ALLEN-BRADLEY COMPANY, BECKMAN INSTRUMENTS INC., THE BUNKER-RAMO CORPORATION, FAIRCHILD CAMERA & INSTRUMENT CORP., TRW INC. and WESTERN INSTRUMENTS, INC., on behalf of themselves and as representative of others similarly situated,
Defendants-Appellees and Cross-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
70 C 1992
THOMAS R. MCMILLEN, *Judge*.

ARGUED APRIL 5, 1973 — DECIDED JUNE 14, 1973

Before CLARK, *Associate Justice*,* PELL and SPRECHER, *Circuit Judges*.

CLARK, *Associate Justice*. Appellants Bourns, Inc. and Marlan E. Bourns challenge the District Court's application of the doctrine of collateral estoppel as applied in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971), to bar this patent infringement suit which was filed in the United States

* Associate Justice Tom C. Clark, United States Supreme Court, Retired, is sitting by designation.

District Court for the Northern District of Illinois against Allen-Bradley Company et al., appellees. Appellants alleged infringement of their "leadscrew actuated potentiometer," Patent No. 2,777,926 (the '926 patent). Among the defenses appellees pleaded collateral estoppel based on the final judgment entered against appellants in *Bourns, Inc.* v. *Dale Electronics Inc.*, 308 F.Supp. 501 (D. Neb. 1969). After the Supreme Court handed down the *Blonder-Tongue* decision, appellees filed amended answers further alleging that appellants had voluntarily dismissed their appeal to the United States Court of Appeals for the Eighth Circuit on May 4, 1970, and moved for summary judgment. The District Court granted appellees' motion, holding that *Blonder-Tongue* governed this case and that the *Dale* decision had invalidated all claims embraced in the '926 patent. We agree that *Blonder-Tongue* bars appellants from relitigating the patent claims explicitly invalidated in *Dale*, but reverse the judgment below insofar as it bars appellant from relitigating the remaining '926 claims.

1. *The Dale Judgment.*

In the *Dale* pleadings Bourns had alleged infringement on the basis of its patent generally, *i.e.*, without singling out specific claims. Likewise, the defendants in *Dale* had counterclaimed for a declaration that the entire patent was invalid. However, the *Dale* judgment stated in relevant part:

> "2. Claims 1, 2, 11, 14, 15, 16 and 20 of the United States Patent No. 2,777,926 are invalid • • • •
> 7. The Amended Complaint is dismissed with prejudice, and the Amended Counterclaim is sustained to the extent indicated."

The District Court here found the *Dale* judgment ambiguous in its application to the '926 claims not explicitly mentioned therein. On the basis of several isolated statements

in the *Dale* opinion (*e.g.*, ". . . the '926 patent is held to be invalid.") it concluded that the *Dale* court intended to hold the entire patent invalid.

We disagree with the District Court's interpretation and conclude that *Dale* is binding only as to the claims specifically mentioned in its judgment. The opinion in that case begins: "Plaintiff relies upon claims 1, 2, 11, 14, 15, 16 and 20 of the '926 patent." Further down in the opening paragraph the opinion continues: "In determining the validity of the patent this Court must ascertain the essence and scope of the patent *as stated in the above-mentioned claims.*" (Emphasis added.) Still further in the opinion the court says: "Commencing with the history and progress of this application through the patent office as finally embodied in claims 1, 2, 11, 14, 15, 16 and 20, it provides some insight into the scope of the patent." And in the judgment the *Dale* court again sets out these claims as invalid. We think it clear from these references that where the court referred to the '926 patent as being invalid, it was referring only to those claims specifically designated at the outset and restated in the final judgment. As Professor Moore teaches:

> [A prior judgment] operates as a collateral estoppel as to, but only as to, those matters or points which were in issue or controverted *and upon the determination of which the initial judgment necessarily depended.* [Emphasis added.]

1B Moore's Federal Practice 3777 (2d ed. 1965); and, as Judge Learned Hand explained almost forty years before, ". . . [collateral] estoppel extends only to facts decided and necessary to the decision." *Irving Nat. Bank* v. *Law,* 10 F. 2d, 721, 724 (1926). Since the *Dale* court's judgment by its terms did not depend on the invalidity of claims not specified in that judgment, appellants are not collaterally estopped from asserting the remaining claims of the '926 patent.

2. *Application of the Blonder-Tongue Collateral Estoppel Doctrine.*

Appellants also urge that collateral estoppel should not be applied to bar their raising the same patent claims that were declared invalid in *Dale*. They rely on the statement in *Blonder-Tongue* that "the patentee-plaintiff must be permitted to demonstrate, if he can, that he did not have 'a fair opportunity procedurally, substantively and evidentially to pursue his claim the first time.'" 402 U.S. at 333. Appellants argue that they lacked an incentive to fully litigate in *Dale* due to (1) an alleged anti-patent bias of the Eighth Circuit, (2) the relative insignificance of the *Dale* suit, (3) new procedural advantages made available since *Dale* was begun, (4) the alleged greater hospitality of the Seventh Circuit toward patents, and (5) their reliance on the pre-*Blonder-Tongue* case of *Triplett* v. *Lowell,* 297 U.S. 638 (1936), which required mutuality of estoppel. We need not pause to discuss these claims. They are fully answered by the District Court, which correctly noted that appellants themselves chose the Nebraska forum; that the *Dale* court applied Supreme Court standards of patent validity as enunciated in *Graham* v. *John Deere Co.,* 383 U.S. 1 (1966); that the *Dale* litigation involved a potential recovery by appellants of approximately $1,000,000, and that "most if not all" of the evidence alleged by appellants to have been newly discovered was in existence and discoverable during the *Dale* litigation. The District Court concluded that appellants lost in *Dale* after a full and fair hearing and that the equities fully justify the application of collateral estoppel against them.

The District Court also concluded that the Supreme Court in *Blonder-Tongue* implicitly rejected reliance on its prior decision in *Triplett* v. *Lowell, supra,* as an adequate basis for avoiding the general rule fashioned in the later

decision. *See Monsanto Co.* v. *Dawson Chemical Co.*, 443 F. 2d 1035 (5 Cir. 1971), cert. denied 405 U.S. 974 (1972). We agree. The *Dale* litigation was pending for seven years in a jurisdiction with no backlog; the trial itself lasted six days and produced a transcript of 610 pages; and the potential recovery was over $1,000,000. Thus, appellants had ample incentive to litigate the case to the end. True, the Supreme Court held in *Triplett* that collateral estoppel did not preclude "relitigation of the validity of a patent claim previously held invalid in a suit against a different defendant." *Triplett* v. *Lowell, supra,* at 644. However, in overruling *Triplett,* the *Blonder-Tongue* Court did not see fit to rule prospectively, though it has so limited recent rulings in other contexts where retrospective application would work hardship and inequity. *Phoenix* v. *Kolodziejski,* 399 U.S. 204, 213-215 (1970); *Ciprano* v. *City of Houma,* 395 U.S. 701, 706 (1969). Indeed, it specifically commented that in the end the use of the collateral estoppel doctrine "will necessarily rest on the trial courts' sense of justice and equity." 402 U.S. at 334. The District Court has carefully appraised the justice and equity of applying the doctrine here and has held against appellants. We have examined the record and conclude that its findings are fully supported therein.

Appellants dispute that they had full and fair judicial resolution of their claims. They suggest that they abandoned the *Dale* appeal in reliance on the *Triplett* rule. It may be that in some situations reliance on *Triplett* should relieve a patentee from the consequences of the *Blonder-Tongue* decision's new collateral estoppel rules. But the circumstances surrounding the *Dale* litigation, particularly the large potential recovery and the time and effort already expended, convince us that appellants would have pursued their appeal regardless of the *Triplett* rule had they held

any reasonable expectation of ultimate success. Since appellants abandoned their appeal because they saw no reasonable chance of prevailing *on the merits,* we believe it equitable both as a general matter and specifically under the *Blonder-Tongue* decision to apply the estoppel rule established in that decision.

The judgment below is reversed insofar as it bars appellants from asserting the patent claims other than those explicitly declared invalid in the *Dale* judgment. In other respects the judgment is affirmed.

PELL, *Circuit Judge,* concurring in part and dissenting in part.

I concur in the majority opinion insofar as it reverses that part of the judgment of the district court which barred appellants from asserting patent claims other than those explicitly declared invalid in the *Dale* judgment. However, I respectfully dissent from the balance of the majority opinion.

In considering the contentions of the appellants that the judgment in the District Court of Nebraska does not collaterally estop them as to any claims of the patent asserted in the Northern District of Illinois, the following significant chronology should be kept in mind.

The decision in the *Dale* case, *Bourns, Inc.* v. *Dale Electronics Incorporated,* 308 F.Supp. 501 (D. Neb. 1969), was handed down on December 29, 1969. The original decision of this court in *University of Illinois Foundation* v. *Blonder-Tongue Laboratories, Inc.,* 442 F.2d 769 (7th Cir. 1970), was issued on February 13, 1970, and was modified on denial of rehearing on April 2, 1970.

The appellants dismissed their appeal from the *Dale* district court decision in the Eighth Circuit on May 4,

1970. The complaint which was the fountainhead of the present appeal was filed in the Northern District of Illinois on August 11, 1970.

The opinion in the *Blonder-Tongue* case in the United States Supreme Court, *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.S. 313, was handed down on May 3, 1971.

The Supreme Court in *Blonder-Tongue* overruled a precedent which had been on the books since 1936, *Triplett* v. *Lowell,* 297 U.S. 638 (1936). *Triplett* indicated that "the rules of the common law applicable to successive litigations concerning the same subject matter" did not preclude "relitigation of the validity of a patent claim previously held invalid in a suit against a different defendant." 297 U.S. at 644. This court in its original *Blonder-Tongue* opinion, while observing that it would seem sound judicial policy that the adjudication of a patent validity issue against the plaintiff in one action where it was a party would provide a defense in any other action by the plaintiff for infringement of the same patent, nevertheless stated, "That, however, is not the law in this field." 422 F.2d at 772.

In essence, the majority opinion in the present appeal concludes that the district court carefully appraised the justice and equity of applying the *Blonder-Tongue* doctrine to the present case and upon so doing reached a correct result. I cannot agree with the initial premise for, as I read the district court's opinion, it concluded that the "justice in this matter is pre-empted by the *Blonder-Tongue* decision itself," and plaintiffs' reliance on pre-*Blonder-Tongue* decisions when abandoning their appeal "is contrary to the holding of that controlling decision which abrogated the prior law."

I do not read the controlling case so broadly. I note the following significant passages in the opinion of the

Court. "The broader question is whether it is any longer tenable to afford a litigant more than one *full and fair opportunity* for judicial resolution of the same issue." 402 U.S. at 328. "But the case before us involves neither *due process* nor 'offensive use' questions. Rather, it depends on the considerations weighing for and against permitting a patent holder to sue on his patent after it has once been held invalid following *opportunity for full and fair trial.*" 402 U.S. at 330. "Presumably he [the patentee] was prepared to litigate and to litigate to the finish against the defendant there involved." 402 U.S. at 332. "Rather, the patentee-plaintiff must be permitted to demonstrate, if he can, that he did not have *'a fair opportunity procedurally, substantially and evidentially* to pursue his claim the first time.' . . . This element in the estoppel decision will comprehend, we believe, the important concerns about the complexity of patent litigation and the posited hazard that the prior proceedings were seriously defective." 402 U.S. at 333. "'[T]he expense of defending a patent suit is often staggering to the small businessman.'" 402 U.S. at 334. (Emphases added.)

With further reference to the matter of expense if the *Triplett* rule were maintained, the Court observed the money expended in subsequent litigation could be put to better use, such as further research and development, and that subsequent defendants might determine it was preferable to pay royalties under a license rather than to incur the costs of litigation. 402 U.S. at 338.

The Court also adverted to the fact that there would be some saving of judicial time "if even a few relatively lengthy patent suits may be fairly disposed of on pleas of estoppel." 402 U.S. at 348.

Finally, the Court, since the issue had not been ventilated below, remanded the cause so that, *inter alia,* the

patentee could have the opportunity to demonstrate "why an estoppel should not be imposed in this case."

In sum, the Court in *Blonder-Tongue* did not, as the district court seems to have done, lay down a hard and fast rule.

Assuming *arguendo* that the Supreme Court intended the sweep of *Blonder-Tongue* to be sufficiently broad to encompass all litigation the purpose of which was to relitigate a patent issue which had already elsewhere been found wanting, irrespective of whether that litigation was initiated before or after the change of the law, then applying the rationale which produced *Blonder-Tongue,* as specifically referred to hereinbefore, in my opinion the plaintiffs should not be estopped in the present case. Obviously, of course, they might well have been estopped if the litigation had been started after the rendition of *Blonder-Tongue,* but that is not the posture of this case.

Theoretically, the plaintiffs had an opportunity for a full and fair judicial resolution of the issue in *Dale.* Certainly they had the opportunity for a *full* resolution. All they had to do was to continue expending the not inconsiderable money which would necessarily have been involved in briefing and arguing in the Eighth Circuit and then pursuing certiorari in the Supreme Court. They did not choose to do so for reasons which I find persuasive and which are outlined in the majority opinion. Pursuing the litigation, of course, would also have put Dale to considerable expense. The plaintiffs were not prepared to litigate to the finish against the defendant there involved for the reasons indicated. Nor is the cost rationale of *Blonder-Tongue* brought into full play here. This is no case of a small businessman being forced willy-nilly into a licensing agreement. The very names of the corporate defendants would indicate otherwise; in addition, the action

below was brought as a class action, presumably with the intent of putting an end one way or the other to the validity of the claims. Plaintiffs by their dismissal and their filing of the broad-breadth subsequent action were travelling economy class, as to themselves, the judiciary of the Eighth Circuit, Dale, and, to some extent, their individual prospective infringer-opponents.

While the plaintiffs had the full opportunity adverted to in *Blonder-Tongue,* it seems clear to me that we are not able to say with certainty that the second prong of fairness was equally present. It is obvious that new counsel who came onto the scene subsequent to the district court decision in *Dale* did not think so. The decision to dismiss the appeal and to file elsewhere against the remaining alleged infringers was made in the forepart of the year 1970, apparently about the time that this court decided that it did not agree with the result which had been reached on the patent involved in *Blonder-Tongue* by a district court in the Eighth Circuit.

The decision was made during the same period of time and the same patent litigation climatic conditions which compelled the chief judge of a district court in the Eighth Circuit to observe in *Woodstream Corp.* v. *Herter's, Inc.,* 312 F.Supp. 369, 370 (D. Minn. 1970), *modified,* 446 F.2d 1143 (8th Cir. 1971), as follows:

> "The courtrooms within the province of the Eighth Circuit Court of Appeals do not afford a congenial forum to the holder of a United States patent. A reading of the decided cases clearly reflects this. It is especially true since 1966 following the Supreme Court's expressions in *Graham* v. *John Deere Co.,* 383 U.S. 1, 86 S. Ct. 684, 15 L. Ed. 2d 545. I can find no record of the Eighth Circuit Court of Appeals upholding the validity of a patent since *Graham.* It did so sparingly before *Graham.*"

It may well be that all of the patent cases which happened to have been filed in the Eighth Circuit during the preceding decade were of a questionable variety and on that phase of the matter I do not comment. I do note, however, "the batting average" which competent counsel, relying on *Triplett,* must have taken into consideration. The same counsel could not have been unaware of the more favorable climate in the Seventh Circuit. See the discussion of the situation in the two circuits by this court in *Scam Instrument Corp.* v. *Control Data Corp.,* 458 F.2d 885, 888 n.4 (7th Cir. 1972), in which it is indicated that the Eighth Circuit did sustain the validity in part of a patent in 1971. This, however, was subsequent to *Blonder-Tongue.*

While the foregoing discussion was based on the *arguendo* assumption that *Blonder-Tongue* is retrospective, I do not think that it was so intended, nor that the Supreme Court would reach the result that it is. The district court in the present case, however, had no doubt, observing that the "Supreme Court could have softened the blow by ruling only prospectively in *Blonder-Tongue,* as it has done on several occasions." If the district court merely meant that the Supreme Court in handing down *Blonder-Tongue* could have specified that it was prospective only, I, of course, would have to agree. In so doing, however, I would also note that the Court did not specify that the change of the law was retrospective either. The issue simply was not reached, and I am at a loss for the basis of the confidence of expression of the district court that the decision was retrospective. If the district court meant that because collateral estoppel could be considered as a defense to the plaintiff's suit in *Blonder-Tongue* it must be always retrospective, which seemed to be a theory advanced by the defendants in oral argument, then I must certainly disagree with the result put forward by the district court. When new law is established or, more importantly, when existing

law is changed, it always is retrospective as to the particular litigant who is unsuccessful. This is inherent, for courts do not customarily give advisory opinions. This is a far cry though from inferring that the decision is retrospective as to other litigants who were relying on the pre-existing law.

The tests for determining whether a "new" decision should be applied retrospectively have been the subject of judicial attention. Chief Justice Burger had occasion to advert to this facet of the law in *Lemon* v. *Kurtzman*, ... U.S. .... (April 2, 1973) (Slip Op. at 5-6), in which it was stated:

> "Claims that a particular holding of the Court should be applied retroactively have been pressed on us frequently in recent years. Most often, we have been called upon to decide whether a decision defining new constitutional rights of a defendant in a criminal case should be applied to convictions of others that predated the new constitutional development. *E. g., Robinson* v. *Neil*, ... U.S. .... (Jan. 16, 1973); *Adams* v. *Illinois*, 405 U.S. 278 (1972); *Desist* v. *United States*, 394 U.S. 244 (1969); *Stovall* v. *Denno*, 388 U.S. 293 (1967); *Johnson* v. *New Jersey*, 384 U.S. 719 (1966); *Tehan* v. *Shott*, 382 U.S. 406 (1966); *Linkletter* v. *Walker*, 381 U.S. 618 (1965). But 'in the last few decades, we have recognized the doctrine of non-retroactivity outside the criminal area many times, in both constitutional and nonconstitutional cases.' *Chevron Oil Co.* v. *Huson*, 404 U.S. 97, 106 (1971); *Hanover Shoe* v. *United Shoe Machinery Corp.*, 392 U.S. 481 (1968); *Simpson* v. *Union Oil Co.*, 377 U.S. 13 (1964); *England* v. *State Board of Medical Examiners*, 375 U.S. 411 (1964). We have approved nonretroactive relief in civil litigation, relating, for example, to the validity of municipal financing founded upon electoral procedures later declared unconstitutional, *Cipriano* v. *City of Houma*, 395 U.S. 701 (1969), and *City of Phoenix* v. *Kolodziejski*, 399 U.S. 204 (1970); or to the validity of elections for local officials held under possibly discriminatory

voting laws, *Allen* v. *State Board of Elections*, 393 U.S. 544 (1969). In each of these cases, the common request is that we reach back to disturb or to attach legal consequence to patterns of conduct premised either on unlawful statutes or on a different understanding of the controlling judge-made law than the rule that ultimately prevails."

Tests for determining retroactivity are set forth in *Chevron Oil Co.* v. *Huson*, 404 U.S. 97, 106-7 (1971), as follows:

> "In our cases dealing with the nonretroactivity question, we have generally considered three separate factors. First, the decision to be applied nonretroactively must establish a new principle of law, either by overruling clear past precedent on which litigants may have relied, see, *e.g.*, *Hanover Shoe* v. *United Shoe Machinery Corp.*, *supra*, at 496, or by deciding an issue of first impression whose resolution was not clearly foreshadowed, see, *e.g.*, *Allen* v. *State Board of Elections*, *supra*, at 572. Second, it has been stressed that 'we must . . . weigh the merits and demerits in each case by looking to the prior history of the rule in question, its purpose and effect, and whether retrospective operation will further or retard its operation.' *Linkletter* v. *Walker*, *supra*, at 629. Finally, we have weighed the inequity imposed by retroactive application, for '[w]here a decision of this Court could produce substantial inequitable results if applied retroactively, there is ample basis in our cases for avoiding the "injustice or hardship" by a holding of nonretroactivity.' *Cipriano* v. *City of Houma*, *supra*, at 706."

In an analogous situation this court recently considered the question in *Bendix Corporation* v. *Balax, Inc.*, 471 F.2d 149 (7th Cir. 1972), and concluded that the holding in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), should not be applied retroactively. *Bendix* has particular significance here because in *Lear* the Court held that a licensee is not

estopped to interpose the invalidity of the licensed patent as a defense to an action by the patentee-licensor to enforce the license agreement. The Court expressly overruled its 1950 holding to the contrary. The venerability of *Triplett* was fourteen years greater.

Applying the tests of *Chevron* to the present case: (a) a new principle of law was established by overruling clear past precedent on which litigants not only may but did in fact rely; (b) since litigants who have instituted lawsuits in reliance upon *Triplett* prior to *Blonder-Tongue* must of necessity be relatively limited in numbers, retrospective application would scarcely seem to further the operation of the principle enunciated; and (c) there is an inherent inequitable result if the principle is applied retroactively with injustice being avoided by a holding of nonretroactivity.

It is to be noted that the *Chevron* test refers to a foreshadowing of the result but does so only in relation to the decision of a case of first impression. If "writing on the wall" is operative in the situation of a change of law also, then, although the *Triplett* rule may have been questioned by decisions and commentators, I am unaware of any clear-cut indication from the Supreme Court on which a lawyer could advise his client to the effect that *Triplett* would be overruled. "Rumblings," as the district court referred to foreshadowing, is a chimerical basis for advice to a commercial client who in the conduct of his affairs requires predictability of as great certitude as possible if he is not to be exposed to unexpected and undesired expensive litigation.

As to foreshadowing, the situation was analogous in *Lear*, upon which Judge Sprecher commented in *Bendix*, 471 F.2d at 156, as follows:

> "In *Lear*, there was an express overruling of a past precedent. Although the Court noted that '[l]ong

before *Hazeltine* was decided, the estoppel doctrine had been so eroded that it could no longer be considered the "general rule" (395 U.S. at 664, 89 S.Ct. at 1908), nevertheless in *Hazeltine* the Court characterized it as the general rule. Whether *Hazeltine* was 'clear past precedent' to the Supreme Court in 1971, the unqualified pronouncement in that case undoubtedly made the doctrine clear enough to parties relying upon it from 1950 to 1971." [Footnote omitted.]

If foreshadowing is pertinent in the change of law situation, then it would appear to me that the present case presents a stronger basis for finding no clear and compelling presaging of the change than in the *Lear* situation, where there had already been substantial erosion of the set-aside doctrine in 1950 at the time the rule was recognized as the general rule, although it was not actually set aside for another 19 years.

I have adverted to the matter of advice of counsel in the commercial field and, in ultimate analysis, I find that the most persuasive reason for not denying the plaintiffs here their full day in court. The reasons are more compelling than the ordinary deference to precedent stated by Justice Cardozo, "Adherence to precedence must . . . be the rule rather than the exception if litigants are to have faith in the even-handed administration of justice in the courts."[1]

The essentiality of definite predictability was recognized by Mr. Justice Frankfurter in his separate opinion in *Monroe* v. *Pape,* 365 U.S. 167, 221-22 (1961), when, speaking of the civil rights case before the Court, he observed, "This is not an area of commercial law in which, presumably, individuals may have arranged their

[1] The Nature Of The Judicial Process 34 (1921).

affairs in reliance on the expected stability of decision." Here the plaintiffs did arrange their affairs on what counsel justifiably could have taken as well-established law, and they should not now suffer because of a subsequent change of that law.

The principle of continuance of adherence to precedent was overridden in its significance by policy factors deemed of greater importance in *Blonder-Tongue*. The resultant change of law, however, in my opinion, should not be controlling on the relatively narrow issue here involved in the situation of commitments made in reliance upon the prior law, which commitments were made prior to the change in the law.

A true Copy:

Teste:

.....

Clerk of the United States Court of Appeals for the Seventh Circuit.

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

June 14, 1973

Before

Hon. TOM C. CLARK, Associate Justice, Supreme Court

Hon. WILBUR F. PELL, JR., Circuit Judge

Hon. ROBERT A. SPRECHER, Circuit Judge

BOURNS, INC., and MARLAN E. BOURNS,
Plaintiffs-Appellants and Cross-Appellees,

No. 72-1222, 72-1223

vs.

ALLEN-BRADLEY COMPANY, etc., et al.,
Defendants-Appellees and Cross-Appellants.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

This cause came on to be heard on the transcript of the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, it is ordered and adjudged by this court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, REVERSED, insofar as it bars appellants from asserting the patent claims other than those explicitly declared invalid in the Dale judgment; in all other respects the judgment is AFFIRMED, in accordance with the opinion of this Court filed this day.

IT IS FURTHER ORDERED and adjudged by this Court that there be no recovery of briefing costs between the parties and that the costs of the Appendix and other miscellaneous costs be taxed equally to each side.

UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
Chicago, Illinois 60604

July 17, 1973

Before

Hon. TOM C. CLARK, Associate Justice*

Hon. WILBUR F. PELL, JR., Circuit Judge

Hon. ROBERT A. SPRECHER, Circuit Judge

BOURNS, INC. and MARLAN E. BOURNS, Plaintiffs-Appellants and Cross-Appellees, vs. ALLEN-BRADLEY COMPANY, et al., on behalf of themselves and as representative of others similarly situated, Defendants-Appellees and Cross-Appellants.	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. No. 70 C 1992 THOMAS R. MCMILLEN, Judge.

Nos. 72-1222 & 72-1223

ORDER

On consideration of the petition of plaintiffs-appellants for a rehearing in the above entitled appeal, and the panel having voted to deny a rehearing, Judge Pell dissenting, and no judge in regular active service having requested that a vote be taken on the suggestion for an *en banc* rehearing,

IT IS ORDERED that the petition of the plaintiffs-appellants for a rehearing or for a rehearing *en banc* in the above entitled appeal be and the same is hereby denied.

* Associate Justice Tom C. Clark, United States Supreme Court, Retired, is sitting by designation.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1973

NO. 73-643

BOURNS, INC. and MARLAN E. BOURNS,

Petitioners,

v.

**ALLEN-BRADLEY COMPANY,
BECKMAN INSTRUMENTS, INC.,
THE BUNKER-RAMO CORPORATION,
FAIRCHILD CAMERA & INSTRUMENT CORP.,
TRW INC., and
WESTON INSTRUMENTS, INC.,**

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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IN THE

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OCTOBER TERM, 1973

No. 73-643

BOURNS, INC. and MARLAN E. BOURNS,

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v.

ALLEN-BRADLEY COMPANY,
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THE BUNKER-RAMO CORPORATION,
FAIRCHILD CAMERA & INSTRUMENT CORP.,
TRW INC., and
WESTON INSTRUMENTS, INC.,

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

OPPOSERS' RESTATEMENT OF QUESTION PRESENTED

Was the Court of Appeals of the Seventh Circuit correct in applying the collateral estoppel rule retrospectively in the present patent case, as it has uniformly been applied in other Circuits in patent cases, based on the decision by this Court in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971)?

STATEMENT OF THE CASE

The Statement of the Case as set forth by Petitioners is generally correct insofar as it relates to facts, with the principal exceptions that (1) there has been no evidence whatever adduced in this case as to why Petitioners dis-

missed their appeal in the Eighth Circuit in the *Dale Electronics, Inc.* case, nor any evidence relating in any way to their reliance on *Triplett* v. *Lowell,* 297 U.S. 638, and (2) Respondents wrongly omit the fact that Defendant Beckman Instruments specifically raised the defense of collateral estoppel in its original Answer, long before *Blonder-Tongue.* It is noted that much of Petitioners' Statement of the Case is merely an advancement of arguments and not facts. Respondents disagree with such arguments.

ARGUMENT

I. The Blonder-Tongue Rule By Its Nature Was Made Retrospective.

This Court clearly indicated the appropriateness of retrospectively applying the collateral estoppel rule in the *Blonder-Tongue* case itself. There the District Court for the Southern District of Iowa ruled the patent invalid and that decision was affirmed by the Court of Appeals for the Eighth Circuit. The University of Illinois Foundation thereafter fully tried a similar suit in the Seventh Circuit against Blonder-Tongue Laboratories, Inc. where validity and infringement were found. This Court thereupon granted certiorari and subsequently returned the case to the Northern District of Illinois to permit Defendant to amend its Answer there to plead for the first time the defense of collateral estoppel and to move for Summary Judgment based thereon. Retrospectivity was clearly implicit in that ruling, in the subsequent grant of Summary Judgment on remand, 334 F. Supp. 47, its affirmance, 465 F. 2d 380, and the denial of certiorari, 93 S.Ct. 559 (1972).

II. There Was No Demonstrated Reliance By Petitioners Upon The Triplett Rule When They Dismissed Their Appeal In Bourns v. Dale.

The Petitioners contend they relied upon *Triplett* v. *Lowell,* 297 U.S. 638 (1936), when they commenced the present suit and dismissed their appeal in *Bourns, Inc. et*

al v. *Dale Electronics, Inc.*, 308 F. Supp. 501 (D. Neb. 1969), which held the patent in suit invalid. They further contend that a retrospective application of principles of collateral estoppel, as adopted in *Blonder-Tongue*, works an unfair hardship upon them in view of such reliance. However, Plaintiffs have never offered any evidence establishing such a reliance. Therefore, the argument, based upon a reliance, collapses, and the Petition should be denied.

No evidence was offered the District Court that Bourns had, in fact, relied upon *Triplett*. On appeal, Justice Clark noted that there was no reliance:

> "*** They suggest that they abandoned the *Dale* appeal in reliance on the *Triplett* rule. It may be that in some situations reliance on *Triplett* should relieve a patentee from the consequences of the *Blonder-Tongue* decision's new collateral estoppel rules. But the circumstances surrounding the *Dale* litigation, particularly the large potential recovery and the time and effort already expended, convince us that appellants would have pursued their appeal regardless of the *Triplett* rule had they held any reasonable expectation of ultimate success. Since appellants abandoned their appeal because they saw no reasonable chance of prevailing *on the merits*, we believe it equitable both as a general matter and specifically under the *Blonder-Tongue* decision to apply the estoppel rule established in that decision." (A-12, 13)

There simply is no evidence in the record, by way of testimony or otherwise, that there was any reliance upon *Triplett* in dismissing the *Dale* appeal. There is only the completely unsupported contention made in Petitioners' briefs. The lack of such evidence is *not* an inadvertence. Respondents have brought attention to the lack in practically every stage of the proceedings.

In fact, Petitioners' dismissal of the *Dale* appeal was clearly predicated on the realization that there most cer-

tainly would be an affirmance, for they had been soundly defeated in the Nebraska District Court. Any realistic opportunity for a reversal would undoubtedly have been pursued, for under the rules of comity existing before *Blonder-Tongue* a decision in *Dale* sustaining patent claims would have matterially enhanced Petitioners present case, as contrasted to the *Dale* unappealed decision invalidating the claims.

There being no demonstrated reliance upon *Triplett* in dismissing the *Dale* appeal, but instead an adverse determination below and circumstances militating against a reliance, the Petition should be denied because a basic premise for Petitioners' argument is lacking.

III. Consideration of the Factors Stated in Chevron Oil, Which are Cited by Petitioners, Do Not Support The Petition.

Page 6 of the Petition quotes factors for considering a possible non-retroactive application of a decision of this Court. The first factor is that there must be a *new principle* of law overruling past precedent, or of first impression whose resolution was not clearly foreshadowed. The principle of collateral estoppel utilized in *Blonder-Tongue* is certainly not new, but rather a well-established one of ever-spreading application. Conversely, the doctrine of mutuality of estoppel, upon which *Triplett* rested, has been under fire and giving way to collateral estoppel principles in many fields of law for many years. It was to be expected that the patent law would be similarly treated, and the demise of *Triplett* could be anticipated. In fact the demise was anticipated by the Respondent Beckman which pleaded such estoppel in its original Answer long before *Blonder-Tongue* was decided. This Court also noted in the *Blonder-Tongue* decision the general erosion in confidence in *Triplett* v. *Lowell,* 402 U.S. 313, p. 318, and footnote 5. Hence, the first factor in Chevron is not satisfied.

The second *Chevron* factor is to weigh the merits in each case as to whether retrospective operation will further or retard operation of the rule in question. Purposes of collateral estoppel, as discussed in *Blonder-Tongue*, include elimination of the expense of litigation of issues already decided following a full and fair opportunity to litigate, elimination of successive litigation of the same issue, elimination of harrassment by a patent holder through repeated litigation, elimination of the pristine character of mutuality of estoppel, ridding court dockets of cases involving already decided matters, and improving economic factors in patent litigation. All these goals are met by applying a collateral estoppel in the present case, wherefore consideration of the second *Chevron* factor is adverse to Petitioners.

The third factor is to weigh the equities between the parties of the instant case. Since Petitioners have had a full and fair opportunity to litigate their patent in the *Dale* case which they brought in a forum they selected there is no inequity in binding them to the decision there. Judge McMillen in the District Court found the equities against Petitioners, stating:

> "*** The equities in this matter militate heavily against the plaintiffs. They have had the benefit of their patent since 1957. They have filed several suits to enforce it, all of which were settled beneficially to the plaintiffs. They elected to file yet another suit in the Nebraska federal court. They left that suit pending for seven years in a jurisdiction which had no backlog. They had ample time for nationwide discovery and taking deposition testimony. They went to trial and lost on the merits after a full and fair hearing. They abandoned their appeal shortly before filing the case at bar in which they hoped, by a class action, to recover damages far in excess of the million dollars or so sought in Nebraska. They had enjoyed the benefits of a patent for almost thirteen years before their come-uppance. In the opinion of this court they had not been treated unfairly by the law." (A-6, 7)

Clearly, none of the factors for limiting retrospective application of the collateral estoppel rule are satisfied.

IV. None of the Considerations for Granting a Review on Certiorari, as Indicated in Rule 19 of this Court, Are Present.

(A). The decision below is not in conflict with any reported patent case. To the contrary, *Blonder-Tongue* has been uniformly applied on a restrospective basis by the U. S. Court of Claims and by every one of the many U. S. Courts of Appeal facing the question, and the present case is completely in step with them. Attention is drawn to the following rulings, in every one of which the collateral estoppel rule was retrospectively applied:

Blumcraft of Pittsburgh v. *Architectural Art Mfg. Co., et al.*, 337 F. Supp. 853 (D. C. Kan. 1972); affirmed at 459 F. 2d 482 (10th Cir. 1972)

Blumcraft of Pittsburgh v. *Kawneer Co., Inc.*, 482 F. 2d 542, 178 USPQ 513 (5th Cir. 1973)

Monsanto v. *Dawson Chemical Co.*, 443 F. 2d 1035 (5th Cir. 1971)

Sampson v. *Ampex Corporation*, 478 F. 2d 339, 178 USPQ 65 (2nd Cir., May 23, 1973) wherein plaintiff, Sampson, abandoned an appeal against a first defendant (RCA) and continued to prosecute Ampex, *Blonder-Tongue* was then decided, and collateral estoppel was applied retrospectively.

Technograph Printed Circuits, v. *Martin-Marietta Corp.*, 474 F. 2d 800 (4th Cir. 1973), Cert. Den. Oct. 9, 1973.

Technograph Printed Circuits, Ltd. v. *Methode Electronics, and Class*, 179 USPQ 206 (7th Cir. Aug. 27, 1973)

Technograph v. *United States*, No. 127-62, U. S. Court of Claims, Oct. 17, 1973, opinion attached as Appendix hereto.

Wahl v. *Vibranetics*, 474 F. 2d 971 (6th Cir. 1973)

(B) The decision below is not in conflict with any decision of this Court. To the contrary, it closely follows and clearly applies *Blonder-Tongue* by investigating and determining whether Respondents had a fair and full opportunity in *Dale* to litigate the issue of patent validity, all within the guidelines discussed in *Blonder-Tongue*.

(C) The decision below does not decide an important question of federal law that has not been, but should be, determined by this Court. Instead, it applies the collateral estoppel doctrine precisely as applied by this Court in *Blonder-Tongue*.

CONCLUSION

Under the circumstances, there is no reason to invoke the time of this Court on the question presented in the Petition.

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APPENDIX

IN THE UNITED STATES COURT OF CLAIMS

No. 127-62

(Decided October 17, 1973)

TECHNOGRAPH PRINTED CIRCUITS, LTD., AND TECHNOGRAPH PRINTED ELECTRONICS, INC. v. THE UNITED STATES

Sidney Bender, attorney of record, for plaintiffs. *Aaron Lewittes, Leventritt Lewittes & Bender*, of counsel.

Michael W. Werth, with whom was *Acting Attorney General Irving Jaffe*, for defendant.

Before COWEN, *Chief Judge*, LARAMORE and DURFEE, *Senior Judges*, DAVIS, SKELTON, and NICHOLS, *Judges*.

OPINION

PER CURIAM: This is a patent suit under 28 U.S.C. § 1498, involving U.S. Patent 2,706,697. After denial of defendant's pre-trial motions for summary judgment (*Technograph Printed Circuits, Ltd.* v. *United States*, 177 Ct. Cl. 919, 370 F. 2d 571 (1966); *id.*, 178 Ct. Cl. 543, 372 F. 2d 969 (1967)), the case went to trial on the issue of validity before former Trial Judge James F. Davis. In a decision filed March 2, 1970 (including opinion, findings and recommended conclusion of law), he concluded that the disputed claims of patent '697 are invalid for obviousness under 35 U.S.C. § 103. 164 U. S. P. Q. 584. Plaintiff excepted to this decision, briefs were filed, and oral argument was had before the court in December 1970.

Before a decision was rendered, the Supreme Court handed down, on May 3, 1971, its ruling in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation,* 402 U.S. 313. Very shortly thereafter, we asked for the filing of additional briefs on the applicability of that decision to this case since there had been a previous holding of invalidity with respect to patent '697 in *Technograph Printed Circuits, Ltd.* v. *Bendix Aviation Corp.,* 218 F. Supp. 1 (D. Md. 1963), *aff'd per curiam,* 327 F. 2d 497 (4th Cir.) *cert. denied,* 379 U.S. 826 (1964). Such briefs were filed by both sides.

We have held the case pending decisions in the Fourth and Seventh Circuits (in litigation by plaintiffs against private parties) on precisely the same *Blonder-Tongue* issue with respect to patent '697 and the impact of *Bendix Aviation Corp., supra.* Decisions have now been rendered in both circuits at the trial and appellate levels. These rulings are adverse to plaintiffs, holding that under *Bonder-Tongue* the plaintiffs are estopped by *Bendix* from contesting the validity of the relevant claims of patent '697. In the Fourth Circuit, Judge Watkins so ruled (in March 1972) in the District Court for the District of Maryland. *Technograph Printed Circuits, Ltd.* v. *Martin-Marietta Corp.,* 340 F. Supp. 423. This was affirmed by the Court of Appeals in February 1973. *Technograph Printed Circuits, Ltd.* v. *Martin-Marietta Corp.,* 474 F. 2d 798. In the Seventh Circuit, Judge Will made the same ruling (in May 1972) in the Northern District of Illinois. *Technograph Printed Circuits, Ltd.* v. *Methode Electronics, Inc.,* 194 U.S.P.Q. 297. This decision was recently affirmed (on August 27, 1973) by the Court of Appeals. *Technograph Printed Circuits, Ltd.* v. *Methode Electronics, Inc.,* C.A. 7, Nos. 72-1741, 72-1742, 72-1743, 72-1744, and 72-1745.

We have considered the extensive briefs and written arguments of the parties on the *Blonder-Tongue* question,[1] and the opinions of Judges Watkins and Will and of the Courts of Appeals for the Fourth and Seventh Circuits. We agree fully with the holdings that under *Blonder-Tongue* plaintiffs are estopped by the *Bendix* decision. Plaintiffs make the same arguments before us as were made in the Fourth and Seventh Circuit litigations. There is no need for further briefing or for oral argument, and it would be needless repetition for us to spread out again the persuasive reasons given in the opinions filed in the other courts. On the basis of those opinions, we hold plaintiffs estopped from contesting the invalidity of all the claims of patent '697 which are in issue. It follows that there can be no recovery under patent '697 and the petition with respect thereto is dismissed.

Trial Judge Davis' opinion, in footnote 1, states that at that time there was still in issue another patent, No. 2,662,957, and that the parties had agreed to defer trial on the '957 patent until this court's ruling on patent '697. If plaintiffs still wish to proceed in this court on patent '957, they should so inform the court within thirty (30) days of this date. If such notification is given, the case will be remanded to a trial judge for further appropriate proceedings with respect to patent '957; otherwise the petition will also be dismissed as to that patent.

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[1] After the decision of the Fourth Circuit, plaintiffs filed an additional paper challenging that decision.

NO. 73-643

IN THE

Supreme Court of the United States

OCTOBER TERM 1973

BOURNS, INC. and MARLAN E. BOURNS,

Petitioners,

v.

ALLEN-BRADLEY COMPANY, BECKMAN INSTRUMENTS, INC., THE BUNKER-RAMO CORPORATION, FAIRCHILD CAMERA & INSTRUMENT CORP., TRW INC. and WESTON INSTRUMENTS, INC., on behalf of themselves and as representatives of others similarly situated,

Respondents.

PETITIONERS' BRIEF IN REPLY TO RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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PETITIONERS' BRIEF IN REPLY TO RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Respondents' opposing brief really does not respond to the petition. It represents simply another approach to the question which is obviously the only concern of respondents, both here and in their own cross-petition (No. 73-644): Whether the court below was right or wrong on the facts of this particular case. Respondents insist that the issue is whether the Seventh Circuit was right in applying the rule of *Blonder-Tongue*[1] retroactively. But if that were the

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[1] *Blonder-Tongue Labs., Inc.* v. *University of Illinois Found.*, 402 U.S. 313 (1971).

issue, it is doubtful that petitioners would now be before this Court.

Rather, the important question presented here is whether this Court's silence on the matter of retrospectivity versus prospectivity is to be taken as a directive for retroactive application of a new rule of law. This question transcends the law of patents and collateral estoppel, and has a far broader significance than merely inquiring whether *Blonder-Tongue* is to be applied retroactively. Yet respondents do not have a thing to say about this question. They do not deny its importance. They do not deny that it is likely to be encountered with some frequency in the future. And most significantly, they do not deny that it fairly states the position of the majority of the court below: That this Court's failure to rule prospectively in *Blonder-Tongue* must mean that *Blonder-Tongue* is to be applied retroactively.

In arguing the merits of the holding of the Court of Appeals, respondents urge among other things that the *Chevron*[2] criteria for non-retroactive application are not satisfied by the facts of this case. In particular, they argue that the *Blonder-Tongue* rule was foreshadowed by a general erosion of confidence in *Triplett* v. *Lowell*, 297 U.S. 638 (1936). This is simply not so. In the thirty-five years between *Triplett* and *Blonder-Tongue*, not a single Court of Appeals decision deviated from strict adherence to the

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[2] *Chevron Oil Co.* v. *Huson*, 404 U.S. 97 (1971).

Triplett rule.[3] This unwavering obedience to established law persisted through the Seventh Circuit's decision in *Blonder-Tongue* itself.[4]

Respondents, in their opposition and in their own cross-petition, have said nothing to alter the fact that the question presented by this petition is an important one which merits the attention of this Court.

Respectfully submitted,

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[3] E.g. *Nickerson* v. *Kutschera*, 419 F.2d 983 (3d Cir. 1969); *Nickerson* v. *Kutschera*, 390 F.2d 812 (3d Cir. 1968); *Technograph Printed Circuits, Ltd.* v. *United States*, 372 F.2d 969 (Ct. Cl. 1967); *Technograph Printed Circuits, Ltd.* v. *Methode Electronics, Inc.*, 356 F.2d 442 (7th Cir. 1966); *Tatko Bros. Slate Co.* v. *Hannon*, 270 F.2d 571 (2d Cir. 1959); *Aghnides* v. *Holden*, 226 F.2d 949 (7th Cir. 1955). See also *Tri-Wall Containers, Inc.* v. *Continental Can Co.*, 323 F. Supp. 700 (S.D.N.Y. 1971); *Agrashell, Inc.* v. *Bernard Sirotta Co.*, 281 F. Supp. 704 (E.D.N.Y. 1968). *But see Nickerson* v. *Pep Boys*, 247 F. Supp. 221 (D. Del. 1965).

[4] *University of Illinois Found.* v. *Blonder-Tongue Labs, Inc.*, 422 F.2d 769 (7th Cir. 1970).